

## CALIFORNIA WITHHOLDING SCHEDULES FOR 1996


California provides two methods for determining the amount of wages and salaries to be withheld for state personal income tax:

### 1. Method A - Wage Bracket Table Method:

This method provides a quick, easy-to-use way to "look up" the appropriate withholding amount, given the payroll period, filing status, and number of withholding allowances (regular and additional) claimed. The standard deduction and personal exemption credit allowances are built into the wage bracket tables. While this method involves fewer computational steps than Method B, it is not as amenable to automated methods of determining amounts to be withheld.

### 2. Method B - Exact Calculation Method:

**This method provides a means for "calculating" withholding amounts either manually or by computer.** To use this method, one must input the payroll period, filing status, number of withholding allowances (regular and additional), standard deduction and personal exemption credit amounts. These amounts are included in Tables 1 through 5 of the Exact Calculation Section (Method B). **Instructions for Method B calculation follow the wage bracket tables of Method A.** Inquiries pertaining to application of Method B for computer software may be directed to the Franchise Tax Board, Research Bureau, P. O. Box 942840, Sacramento, CA 94240.

 **Special Note - For Married employees with employed spouses, it is recommended that either: single filing status be used to compute withholding amounts for the greater salaried spouse; or additional flat amounts be withheld to avoid under withholding of tax.**

## INSTRUCTIONS FOR THE TREATMENT OF ADDITIONAL WITHHOLDING ALLOWANCES FOR ESTIMATED DEDUCTIONS

All additional allowances for estimated deductions claimed on "California Form DE-4" must be used to reduce the amount of salaries and wages subject to withholding by using the method shown below. If the federal Form W-4 is used for California withholding purposes, all additional allowances for estimated deductions claimed must be treated as regular withholding allowances unless the employee requests in writing that they be treated in accordance with the following method:

- A. Subtract the employee's estimated deduction allowance shown in the "Table 2 - Estimated Deduction Table" from the gross salaries and wages subject to withholding; and
- B. Compute the tax to be withheld using:
  - Method A - Wage Bracket Table Method; or
  - Method B - Exact Calculation Method

If California Form DE-4 is used for California withholding purposes, the tax to be deducted and withheld must be computed on the basis of the total number of regular withholding allowances claimed on line 1 of Form DE-4.

If the federal Form W-4 is used for California withholding purposes, the tax to be deducted and withheld must be computed on the basis of the total number of withholding allowances claimed on line 1 of Form W-4, minus the number of additional allowances for estimated deductions claimed. If Form W-4 does not separately identify the number of additional allowances for estimated deductions, the employee's request must specify the number claimed. The employee's request will remain in effect until the employee terminates it by furnishing a signed written notice or by furnishing a California Form DE-4.

**Employers may require employees to file California Form DE-4 when they wish to use additional allowances for estimated deductions to reduce the amount of salaries and wages subject to withholding.**

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## INSTRUCTIONS FOR METHOD A - WAGE BRACKET TABLE METHOD

The steps in determining the amount of tax to be withheld are as follows:

- Step 1** Determine if the employee's gross salaries and wages are less than the amount shown in "Table 1 - Low Income Exemption Table". If so, no income tax is required to be withheld.
- Step 2** If the employee claims any additional withholding allowances for deductions, subtract the amount shown in "Table 2 - Estimated Deduction Table" from the gross salaries and wages.
- Step 3** Subtract the number of additional withholding allowances from the total allowances to obtain net allowances for tax computation purposes.
- Step 4** Refer to the appropriate wage bracket table to arrive at the amount of tax to be withheld.

EXAMPLE A: Method A - Wage bracket Table Method. Weekly earnings of \$700, married, and claiming eight withholding allowances on Form DE-4 or W-4, four of which are for estimated deductions.

- Step 1** Earnings for the weekly pay period are greater than the amount shown in "Table 1 - Low Income Exemption Table" (\$298.00); therefore, income tax should be withheld.
- Step 2**
- |                                                               |          |
|---------------------------------------------------------------|----------|
| Earnings for the payroll period.....                          | \$700.00 |
| Subtract amount from "Table 2 - Estimated Deduction Table"... | -77.00   |
| Salaries and wages subject to withholding.....                | \$623.00 |
|                                                               | =====    |
- Step 3**
- |                                                               |    |
|---------------------------------------------------------------|----|
| Total number of withholding allowances claimed.....           | 8  |
| Subtract number of estimated deduction allowances claimed.... | -4 |
| Net allowances for tax computation purposes.....              | 4  |
- Step 4** Refer to the appropriate wage bracket table (weekly taxable earnings of \$623.00 with four deductions) to arrive at the amount of tax to be withheld.....
- |  |        |
|--|--------|
|  | \$5.64 |
|  | =====  |

EXAMPLE B: Method A - Wage Bracket Table Method. Monthly earnings of \$3,000.00 married, and claiming six withholding allowances on Form DE-4 or W-4, two of which are for estimated deductions.

- Step 1** Earnings for the monthly payroll period are greater than the amount shown in "Table 1 - Low Income Exemption Table" (\$1,290.00); therefore, income tax should be withheld.
- Step 2**
- |                                                               |            |
|---------------------------------------------------------------|------------|
| Earnings for the payroll period.....                          | \$3,000.00 |
| Subtract amount from "Table 2 - Estimated Deduction Table"... | -167.00    |
| Salaries and wages subject to withholding.....                | \$2,833.00 |
|                                                               | =====      |
- Step 3**
- |                                                               |    |
|---------------------------------------------------------------|----|
| Total number of withholding allowances claimed.....           | 6  |
| Subtract number of estimated deduction allowances claimed.... | -2 |
| Net allowances for tax computation purposes.....              | 4  |
- Step 4** Refer to the appropriate wage bracket table (monthly taxable earnings of \$2,833.00 with four deductions) to arrive at the amount of tax to be withheld.....
- |  |         |
|--|---------|
|  | \$28.40 |
|  | =====   |

# CALIFORNIA WITHHOLDING SCHEDULES FOR 1996

## METHOD B - EXACT CALCULATION METHOD

This method is based upon applying a given percentage to the wages (after deductions) which fall within a taxable income class, adding to this product the accumulated tax for all lower tax brackets, and then subtracting a tax credit based upon the number of allowances claimed on the employee's withholding allowance certificate (California Form DE-4 or Federal Form W-4). This method also takes into consideration the special treatment of additional allowances for estimated deductions.

The steps in computing the amount of tax to be withheld are as follows:

- Step 1** Determine if the employee's gross salaries and wages are less than, or equal to, the amount shown in "Table 1 - Low Income Exemption Table." If so, no income tax is required to be withheld.
- Step 2** If the employee claims any additional withholding allowances for estimated deductions from form DE-4, subtract the amount shown in "Table 2 - Estimated Deduction Table" from the gross salaries and wages.
- Step 3** Subtract the standard deduction amount shown in "Table 3 - Standard Deduction Table" to arrive at the employee's taxable income.
- Step 4** Use "Table 5 - Tax Rate Table" for the payroll period and marital status to find the applicable line on which the taxable income is located. Perform the indicated calculations to arrive at the computed tax.
- Step 5** Subtract the tax credit shown in "Table 4 - Personal Exemption Table" from the computed tax to arrive at the amount of tax to be withheld.

**\* If the employee uses additional allowances claimed for estimated deductions, such allowances must not be used in the determination of tax credits to be subtracted.**

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**EXAMPLE A:** Weekly earnings of \$140, single, and claiming one withholding allowance on Form DE-4 or W-4.

- Step 1** Earnings for the weekly payroll period are less than the amount shown in "Table 1 - Low Income Exemption Table" (\$148.00); therefore, no income tax is to be withheld.
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**EXAMPLE B:** Biweekly earnings of \$950, married, and claiming three withholding allowances, one of which is for estimated deductions:


- Step 1** Earnings for the biweekly payroll period are greater than the shown in "Table 1 - Low Income Exemption Table" (\$595.00); therefore, income tax should be withheld.
- Step 2**

Earnings for biweekly payroll period.....	\$950.00
Subtract amount from "Table 2 - Estimated Deduction Table"....	-38.00
Salaries and wages subject to withholding.....	\$912.00
- Step 3**

Subtract amount from "Table 3 - Standard Deduction Table".....	-191.00
Taxable income.....	\$721.00
- Step 4** Tax computation from "Table 5 - Tax Rate Table":
 

Entry covering \$721.00 (over \$372.00 but not over \$880.00)	
• 2% of amount over \$372.00 (.02 x (\$721 - 372)).....	\$ 6.98
• Plus the marginal amount .....	+3.72
• Computed tax .....	10.70
- Step 5**

Subtract amount from "Table 4 - Personal Exemption Table"	
for two regular withholding allowances.....	-5.08
Net amount of tax to be withheld.....	\$ 5.62
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 **NOTE:** Table 5 provides a method comparable to the federal alternative method for percentage calculation of withholding. This method is a minor simplification of the exact calculation method described above in that the tax rate applies to the total taxable income with the excess amount subtracted.

# CALIFORNIA WITHHOLDING SCHEDULES FOR 1996

## METHOD B - EXACT CALCULATION METHOD (CONTINUED)

EXAMPLE C: Monthly earnings of \$3,300.00, married, and claiming five withholding allowances on form DE-4 or W-4.

<b>Step 1</b>	Earnings for the monthly payroll period are greater than the amount shown in "Table 1 - Low Income Exemption Table" (\$1,290.00); therefore, income tax should be withheld.	
	Earnings for monthly payroll period.....	\$3,300.00
<b>Step 2</b>	Not applicable - no estimated deduction allowance claimed.	
<b>Step 3</b>	Subtract amount from "Table 3 - Standard Deduction Table" ...	-415.00
	Taxable income.....	\$2,885.00
<b>Step 4</b>	Tax computation from "Table 5 - Tax Rate Table":	
	• Entry covering \$2,885.00 (over \$1,908 but not over \$3,012)	
	• 4% of amount over \$1,908.00 (.04 x (\$2,885.00 - \$1,908.00)) \$	39.08
	• Plus marginal tax amount.....	+30.10
	• Computed tax.....	\$ 69.18
<b>Step 5</b>	Subtract amount from "Table 4 - Personal Exemption Table" for	
	5 regular withholding allowances.....	-27.50
	Net amount of tax to be withheld.....	\$ 41.68
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EXAMPLE D: Weekly earnings of \$600.00, unmarried head of household, three withholding allowances on Form DE-4 or W-4.

<b>Step 1</b>	Earnings for the weekly payroll period are greater than the amount in "Table 1 - Low Income Exemption Table" (\$298.00); therefore, income tax should be withheld.	
	Earnings for weekly payroll period.....	\$600.00
<b>Step 2</b>	Not applicable - no estimated deduction allowance claimed.	
<b>Step 3</b>	Subtract amount from "Table 3 - Standard Deduction Table"....	-96.00
	Taxable income.....	\$504.00
<b>Step 4</b>	Tax computation from "Table 5 - Tax Rate Table":	
	• Entry covering \$504.00 (over \$440.00 but not over \$568.00).	
	• 4% of amount over \$440 (.04 x (\$504.00 - \$440.00)).....	\$ 2.56
	• Plus marginal tax amount.....	+6.95
	• Computed tax.....	\$ 9.51
<b>Step 5</b>	Subtract amount from "Table 4 - Personal Exemption Table" for	
	3 regular withholding allowances.....	-3.81
	Net amount of tax to be withheld.....	\$ 5.70
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NOTE: Employers may determine the amount of income tax to be withheld for an annual payroll period and prorate the tax back to the payroll period. This method may be useful to employers who have employees being paid for more than one payroll period and want to conserve computer memory by storing only the annual tax rates, wage brackets, deduction values, and tax credits.

EXAMPLE E: Semi-monthly earnings of \$1,500.00, married, and claiming four allowances on Form DE-4 or W-4.

<b>Step 1</b>	Earnings for the semi-monthly payroll period are greater than the shown in "Table 1 - Low Income Exemption Table" (\$645.00); therefore, income tax should be withheld.	
	Annualized wages and salary (24 x \$1,500.00).....	\$36,000.00
<b>Step 2</b>	Not applicable	
<b>Step 3</b>	Subtract amount from "Table 3 - Standard Deduction Table"....	-4,974.00
	Taxable income .....	\$31,026.00
<b>Step 4</b>	Tax computation from "Table 5 - Tax Rate Table":	
	• Entry covering \$31,026 (over \$22,898 but not over \$36,136)	
	• 4% of amount over \$22,898.00 (.04 x (\$31,026 - \$22,898))... \$	325.12
	• Plus marginal tax amount.....	+361.34
	• Computed annual tax.....	\$ 686.46
<b>Step 5</b>	Subtract amount from "Table 4 - Personal Exemption Table" for	
	4 regular withholding allowances.....	-264.00
	Annual amount of tax to be withheld.....	\$ 422.46
	Divide by number of payroll periods in year (24).....	\$ 17.60
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